

TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

SUBJECT: Report of the Chief Investment Officer

ITEM NUMBER: 16

ATTACHMENT(S): 3

ACTION: _____

DATE OF MEETING: October 11, 2000

INFORMATION: X

PRESENTER(S): Jim Mosman

The following is a summary of the developments in the financial markets that have occurred between September 1, 2000 and September 22, 2000.

1. The yield on the 30-year U.S. Treasury bond has increased from 5.68% to 5.92%.
2. The market level of the S&P 500 Index has decreased from 1517.68 to 1448.72.
3. The U.S. dollar has strengthened compared to the euro (.89 to .88) and the yen (1.06 to 1.08) and was unchanged compared the pound sterling (1.45).
4. The Federal Reserve Board of Governors will hold their next scheduled FOMC meeting on October 3, 2000. The Federal Reserve is expected to hold the targeted Federal Funds rate steady at 6.50%.

Investment Summary - Market Value (amounts in millions)									
Asset	This Month		One Year Ago		Three Years Ago		Five Years Ago		
Domestic Equity	\$	48,888	42.2%	\$	43,591	44.4%	\$	28,394	37.6%
International Equity		27,607	23.8%		24,570	25.0%		15,243	20.2%
Fixed Income		28,222	24.3%		24,654	25.1%		25,438	33.7%
Global Asset Allocators		N/A	N/A		N/A	N/A		2,259	3.0%
Private Equity		9,481	8.2%		4,919	5.0%		3,356	4.4%
Liquidity		1,781	1.5%		459	0.5%		821	1.1%
Total Market Value	\$	115,979	100.0%	\$	98,193	100.0%	\$	75,511	100.0%

Performance Returns for Major Asset Categories						
Asset	Month	Fiscal YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Domestic Equity	7.17	5.46	21.39	19.66	22.13	19.10
Int'l Equity	0.95	-3.16	11.97	11.55	11.29	N/A
Fixed Income	1.72	2.83	8.26	6.88	7.07	9.18
Real Estate	N/A	N/A	9.13	16.53	14.27	6.04
Alternative Investments	N/A	N/A	85.08	43.51	38.30	23.80
Liquidity	0.56	1.13	6.51	6.20	6.10	5.77
Total Fund	3.68	2.43	17.11	14.94	14.67	13.44
Indicies						
Domestic Equity Custom	7.42	5.52	20.63	20.02	22.91	19.37
MSCI AC ex US	1.24	-2.76	11.82	10.70	10.06	8.90
Salomon LPF	1.74	2.95	8.34	6.53	6.91	9.06
Real Estate Custom	N/A	N/A	10.59	13.12	11.40	5.89
T-Bill	0.50	0.98	5.51	5.12	5.19	4.90
Consumer Price Index	0.06	0.23	3.37	2.42	2.46	2.76
Wilshire 5000	7.26	5.07	20.00	19.60	22.45	19.15
Russell 3000	7.42	5.52	20.63	20.03	22.91	19.46
MSCI EAFE	0.87	-3.36	9.55	11.19	10.09	8.54
LB Gov / Corp	1.41	2.48	7.27	6.23	6.43	8.13

Allocations of Cash and Reallocations of Assets (does not include changes in the market value)		
	Current Month	Past 12 Months
Cash Inflow:		
Contributions & misc receipts	\$ 99.5	\$ 4,084.7
Less: Benefits & misc. payments	\$ (325.6)	\$ (3,806.0)
Investment Income	\$ 342.6	\$ 2,992.8
Total Cash Inflow	\$ 116.5	\$ 3,271.5
Cash Allocation:		
Domestic Equity	\$ 171.1	\$ (3,082.9)
International Equity	\$ 2.3	\$ 78.3
Fixed Income	\$ 38.3	\$ 3,181.0
Private Equity	\$ 90.0	\$ 1,878.1
Liquidity	\$ (185.3)	\$ 1,217.0
Total Cash Allocation	\$ 116.5	\$ 3,271.5

Asset Allocation Percentage

Assets	Actual	Target	Difference	Range
Public Equity	64.0%	63.0%	1.0%	57 - 69
Public Fixed Income	25.9%	27.0%	(1.1%)	23 - 32
Private Equity	10.1%	10.0%	0.1%	8 - 12
Total Investment Assets	100.0%	100.0%		

Which can be compared to the strategic targets

Active - Domestic Equity	8.8%	7.6%	1.2%	6 - 9
Passive - Domestic Equity	33.4%	30.4%	3.0%	29 - 41
Allocated Not Funded	-1.9%	0.0%	(1.9%)	
TOTAL DOMESTIC EQUITY	40.2%	38.0%	2.2%	35 - 41
Active - International Equity	11.0%	12.5%	(1.5%)	11 - 14
Passive -International Equity	12.8%	12.5%	0.3%	11 - 14
TOTAL NON-US EQUITY	23.8%	25.0%	(1.2%)	22 - 28
TOTAL PUBLIC EQUITY	64.0%	63.0%	1.0%	57 - 69
Real Estate	3.4%	5.0%	(1.6%)	
Alternative Investments	4.7%	5.0%	(0.3%)	
Allocated Not Funded	1.9%	0.0%	1.9%	
TOTAL PRIVATE EQUITY	10.1%	10.0%	0.1%	8 - 12
Domestic Fixed Income	24.3%	26.0%	(1.7%)	23 - 29
Liquidity	1.5%	1.0%	0.5%	0 - 3
TOTAL FIXED & LIQUIDITY	25.9%	27.0%	(1.1%)	23 - 32
TOTAL INVESTMENT ASSETS	100.0%	100.0%		

California State Teachers' Retirement System

Attachment 2

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Monthly Investment Summary

	Market Value		Market Value		Market Value	
	07/31/2000	Market %	08/31/2000	Market %	Difference	% Diff.
<i>Liquidity</i>						
Cash Allocation	1,805,273,725		1,631,676,848		(173,596,877)	
US Cash Equitization	142,453,934		151,561,646		9,107,712	
Total Liquidity	1,947,727,659	1.74%	1,783,238,494	1.54%	(164,489,164)	(0.20%)
<i>Domestic Equity</i>						
Active						
Ariel Capital	331,020,610		387,160,555		56,139,946	
BGI - Enhanced	730,588,700		773,843,911		43,255,211	
Brinson Partners	512,877,253		535,375,084		22,497,831	
Brown Capital Management	488,745,883		529,807,039		41,061,157	
Chicago Equity Partners	517,249,283		606,731,378		89,482,096	
Delaware Investment Adv	405,266,021		424,910,311		19,644,291	
Delphi Management, Inc	182,310,272		195,570,772		13,260,500	
Denver Investment Advisors	774,484,382		861,039,508		86,555,126	
DSI International Management	811,090,144		860,142,253		49,052,109	
First Quadrant	489,373,485		575,659,466		86,285,981	
Mellon Capital Management	661,127,448		702,890,797		41,763,348	
NCM Capital Management	733,855,375		799,981,012		66,125,636	
Putnam Investments	628,821,820		696,318,299		67,496,480	
Sasco Capital	588,774,044		624,879,304		36,105,260	
SSgA - Enhanced	802,417,520		850,539,996		48,122,475	
TCW Asset Manangement Co	649,929,820		765,238,350		115,308,529	
Passive						
BGI Extended Market Index	5,132,615,014		5,679,823,594		547,208,580	
BGI S&P 500 Index	15,937,239,647		16,956,071,681		1,018,832,034	
STRS S&P 500 Index	15,086,608,996		16,062,048,022		975,439,027	
Transition						
STRS Domestic	12,626,413		943		(12,625,470)	
Total Domestic Equity	45,477,022,129	40.57%	48,888,032,274	42.15%	3,411,010,146	1.58%
<i>International Equity</i>						
Active						
Bank of Ireland Asset Management	1,063,319,793		1,073,229,173		9,909,381	
Battery March Financial Mgmt Inc.	517,934,057		522,292,817		4,358,761	
Blackrock, Inc.	354,232,066		357,040,398		2,808,332	
Brinson Partners Non-USEQ	504,085,762		506,656,537		2,570,775	
Capital Guardian Trust	1,641,446,871		1,687,352,632		45,905,761	
Delaware Int'l Advisors Inc.	483,995,915		483,158,230		(837,685)	
Fidelity Management Co.	564,203,346		560,989,501		(3,213,845)	
Fiduciary Trust	815,950,534		849,016,276		33,065,741	
Goldman Sachs Asset Mgmt	283,054,538		282,875,921		(178,617)	
Lazard Freres	972,947,214		973,642,731		695,517	
Marvin & Palmer Assoc, Inc.	577,866,999		579,954,131		2,087,132	
Morgan Stanley	902,167,844		911,376,701		9,208,857	
Newport Pacific Mgmt	348,924,827		364,727,846		15,803,019	

Monthly Investment Summary

	Market Value		Market Value		Market Value	
	07/31/2000	Market %	08/31/2000	Market %	Difference	% Diff.
Nicholas-Applegate Capital Mgmt	626,637,804		647,345,612		20,707,808	
Oechsle International	1,295,983,332		1,258,766,533		(37,216,799)	
Schroder Capital	686,005,170		703,236,612		17,231,442	
Scudder Kemper Investments	949,980,686		955,322,443		5,341,757	
Passive						
BGI - Europe	9,062,775,997		8,919,357,255		(143,418,742)	
BGI - Pacific	3,997,833,405		4,220,089,500		222,256,095	
SSgA - Emerging Market Index	1,714,732,369		1,750,039,577		35,307,208	
Transition						
STRS International	184,436		177,387		(7,049)	
Total International Equity	27,364,262,964	24.41%	27,606,647,813	23.80%	242,384,849	(0.61%)
Fixed Income						
Corporate Bond Index	7,998,402,247		8,484,082,363		485,680,116	
Mortgage Backed Security Index	8,255,371,745		8,334,258,813		78,887,067	
Mortgage Loan	496,471,741		537,874,161		41,402,420	
US Treasury & Agency Index	11,190,416,473		10,865,670,973		(324,745,500)	
Total Fixed Income	27,940,662,206	24.93%	28,221,886,310	24.33%	281,224,104	(0.59%)
Real Estate						
CB Richard Ellis	1,463,687,493		1,481,890,501		18,203,008	
Clarion Partners, LLC	154,145,958		154,160,283		14,325	
Heitman Capital Management	187,126,744		219,091,151		31,964,407	
Lend Lease	1,055,593,152		1,056,390,477		797,325	
Lowe Enterprises Inv Mgmt	580,882		131,194,832		130,613,949	
MIG Realty Advisors	217,620,878		217,875,571		254,693	
Sentinel Realty Advisors	17,648,991		17,650,977		1,986	
Special Situations	391,102,775		364,736,194		(26,366,581)	
SSR Realty Advisors	347,586,846		347,845,346		258,500	
Thomas Properties Group	750,001		750,001		0	
Total Real Estate	3,835,843,718	3.42%	3,991,585,330	3.44%	155,741,612	0.02%
Alternative Investments						
Limited Partnerships	5,521,283,206		5,487,355,410		(33,927,796)	
Total Alternative Investments	5,521,283,206	4.93%	5,487,355,410	4.73%	(33,927,796)	(0.19%)
Grand Total	<u>112,086,801,882</u>	100.00%	<u>115,978,745,631</u>	100.00%	<u>3,891,943,750</u>	

PLEASE NOTE:

All Figures Include Accruals

The Information contained in this report is UNAUDITED

Member Home Loan Securitization Principal Balance as of 08/31/2000 is \$119,430,579

The Internally Managed Cash Collateral Portfolio is NOT included above.

The Net Asset Value as of 8/31/2000 is \$2,701,829,523

California State Teachers' Retirement System
Internal S&P 500 Indexed Portfolio Performance

The California State Teachers' Retirement System's internal S&P 500 indexed portfolio (Portfolio) was \$16,062,048,022 as of August 31, 2000. The performance objective of the Portfolio is to closely track the return of the S&P 500 Index. Table 1 compares the portfolio's performance with the returns of the S&P 500 Index. The portfolio's return for the past 12 months was 16.368% while the Index return was 0.077% (7.7 basis points) lower at 16.291%.

Table 1: S&P 500 Performance

Period	Portfolio Total Return	Index Total Return	Variance
3/31/98 – 12/31/98	12.892	12.975	-0.083
12/31/98 – 12/31/99	21.111	20.987	+0.124
12/31/99 – 8/31/00	4.132	4.107	+0.025
1 Year	16.368	16.291	+0.077

Portfolio return calculated by State Street Bank Analytics.